

JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

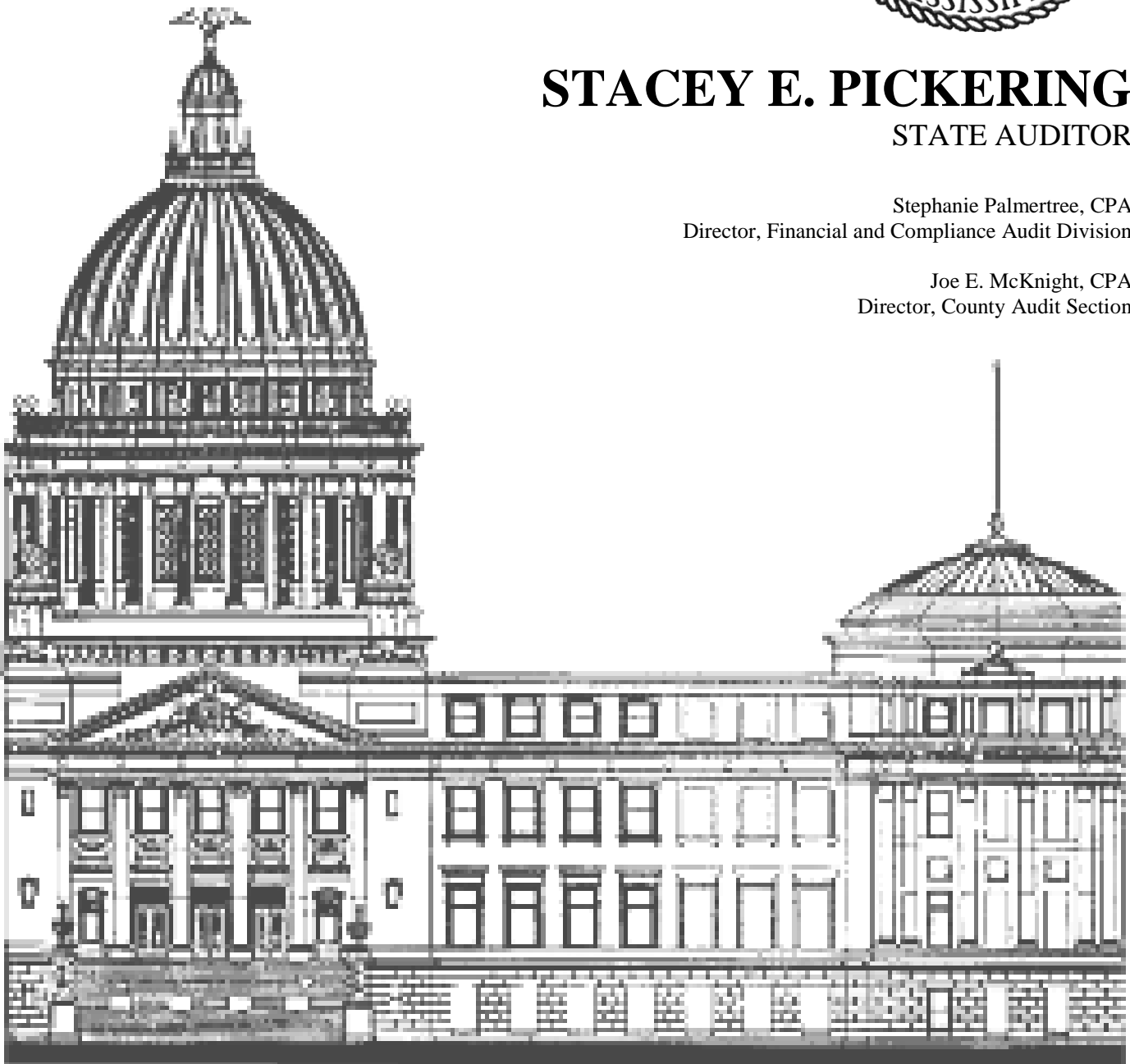


STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

June 21, 2016

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Jefferson Davis County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Jefferson Davis County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jefferson Davis County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Jefferson Davis County, Mississippi, as of September 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of September 30, 2014, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Jefferson Davis County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Davis County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. McKNIGHT, CPA
Director, County Audit Section

June 21, 2016

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Statement of Net Position - Cash Basis
September 30, 2014

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 3,530,948
Total Assets	<u>3,530,948</u>
NET POSITION	
Restricted:	
Expendable:	
General government	157,587
Public safety	16,668
Public works	1,632,531
Culture and recreation	96,736
Debt service	173,775
Unemployment compensation	17,255
Unrestricted	<u>1,436,396</u>
Total Net Position	<u>\$ 3,530,948</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,065,937	187,791	22,970		(2,855,176)
Public safety	1,582,882	196,432	136,169		(1,250,281)
Public works	2,503,516		477,211	74,096	(1,952,209)
Health and welfare	187,261		16,203		(171,058)
Culture and recreation	150,996				(150,996)
Education	187,166				(187,166)
Conservation of natural resources	105,675				(105,675)
Economic development and assistance	684,923		348,373	71,793	(264,757)
Purchase of investment	1,001,233				(1,001,233)
Debt service:					
Principal	80,934				(80,934)
Interest	47,964				(47,964)
Total Governmental Activities	\$ 9,598,487	384,223	1,000,926	145,889	(8,067,449)
General receipts:					
Property taxes				\$	4,795,895
Road & bridge privilege taxes					161,759
Grants and contributions not restricted to specific programs					916,131
Unrestricted interest income					4,010
Miscellaneous					195,726
Proceeds from debt issuance					430,732
Sale of county property					1,450
Compensation for loss of county property					37,297
Sale of investments					2,000,616
Total General Receipts and Other Cash Sources					8,543,616
Changes in Net Position					476,167
Net Position - Beginning					3,054,781
Net Position - Ending				\$	3,530,948

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds			
	General	District 4 Road Maintenance Construction	Other Governmental	Total Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash	\$ 1,436,396	432,531	1,662,021	3,530,948
Total Assets	\$ 1,436,396	432,531	1,662,021	3,530,948
FUND BALANCES				
Restricted for:				
General government	\$		157,587	157,587
Public safety			16,668	16,668
Public works		432,531	1,200,000	1,632,531
Culture and recreation			96,736	96,736
Debt service			173,775	173,775
Unemployment compensation			17,255	17,255
Unassigned	1,436,396			1,436,396
Total Fund Balances	\$ 1,436,396	432,531	1,662,021	3,530,948

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2014

	Major Funds			
	General	District 4 Road Maintenance Construction	Other Governmental	Total
	Fund	Fund	Funds	Governmental Funds
RECEIPTS				
Property taxes	\$ 3,033,386	214,979	1,547,530	4,795,895
Road and bridge privilege taxes		33,969	127,790	161,759
Licenses, commissions and other receipts	74,989		3,260	78,249
Fines and forfeitures	116,679			116,679
Intergovernmental receipts	970,816	121,937	970,193	2,062,946
Charges for services	49,960		139,335	189,295
Interest income	2,650	287	1,073	4,010
Miscellaneous receipts	170,497	4,337	20,892	195,726
Total Receipts	4,418,977	375,509	2,810,073	7,604,559
DISBURSEMENTS				
General government	2,905,955		159,982	3,065,937
Public safety	1,432,945		149,937	1,582,882
Public works	5,000	298,309	2,200,207	2,503,516
Health and welfare	187,261			187,261
Culture and recreation	54,750		96,246	150,996
Education	185,280		1,886	187,166
Conservation of natural resources	105,675			105,675
Economic development and assistance	63,625		621,298	684,923
Debt service:				
Principal	4,642		76,292	80,934
Interest	3,904		44,060	47,964
Total Disbursements	4,949,037	298,309	3,349,908	8,597,254
Excess (Deficiency) of Receipts over Disbursements	(530,060)	77,200	(539,835)	(992,695)
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance			430,732	430,732
Sale of county property			1,450	1,450
Compensation for loss of county property	2,087	15,300	19,910	37,297
Sale of investment	2,000,616			2,000,616
Transfers in		100,000	410,000	510,000
Transfers out	(510,000)			(510,000)
Purchase of investment	(1,001,233)			(1,001,233)
Total Other Cash Sources and Uses	491,470	115,300	862,092	1,468,862
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	(38,590)	192,500	322,257	476,167
Cash Basis Fund Balances - Beginning of year	1,474,986	240,031	1,339,764	3,054,781
Cash Basis Fund Balances - Ending	\$ 1,436,396	432,531	1,662,021	3,530,948

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2014

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 223,009
Total Assets	\$ 223,009
LIABILITIES	
Amounts held in custody for others	\$ 223,009
Total Liabilities	\$ 223,009

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jefferson Davis County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Jefferson Davis County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Jefferson Davis General Hospital
- Jefferson Davis County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

District 4 Road Maintenance Construction Fund - This fund is used to account for monies from specific sources that are restricted for road maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$3,753,957, and the bank balance was \$4,041,022. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2014:

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
District 4 Road Maintenance Construction Fund	General Fund	\$ 100,000
Other Governmental Funds	General Fund	<u>410,000</u>
Total		\$ <u><u>510,000</u></u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(5) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(6) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The County contributed \$5,000 for the airport's support in fiscal year 2014.

(7) Joint Venture.

The County participates in the following joint venture:

Jefferson Davis County is a participant with Marion County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Incorporated, operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County contributed \$5,000 for support of the district in fiscal year 2014.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$36,600 for support of the district in fiscal year 2014.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County contributed \$162,357 for maintenance and support of the college in fiscal year 2014.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributed \$20,418 for support of the district in fiscal year 2014.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$31,000 for support of the entity in fiscal year 2014.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The County contributed \$16,250 for support of the district in fiscal year 2014.

(9) Defined Benefit Pension Plan.

Plan Description. Jefferson Davis County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$387,776, \$389,828 and \$375,031, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/Passed-through the Mississippi Development Authority			
Community development block grants/state's programs*	14.228	1128-11-033-ED-01	\$ 71,793
Community development block grants/state's programs*	14.228	1128-11-033-PF-01	237,130
Subtotal			<u>308,923</u>
U.S. Department of Housing and Urban Development/Passed-through the Mississippi Development Authority			
HOME investment partnership program	14.239	1223-M11-SG-280-186	<u>111,243</u>
Total U.S. Department of Housing and Urban Development			<u>420,166</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 079 B (33)	17,990
Highway planning and construction	20.205	BR 03318 B 01	<u>24,834</u>
Total U.S Department of Transportation			<u>42,824</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Hazard mitigation grant	97.039	HMGP 1604-0029	20,425
Hazard mitigation grant	97.039	HMGP 1604-0222	<u>1,153</u>
Subtotal			<u>21,578</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grant	97.042	N/A	<u>23,197</u>
Total U.S. Department of Homeland Security			<u>44,775</u>
Total Expenditures of Federal Awards			\$ <u><u>507,765</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal award program

JEFFERSON DAVIS COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2014

Operating Disbursements, Cash Basis:

Salaries	\$	201,589
Expendable Commodities:		
Gasoline and petroleum products		56,381
Repair parts		5,218
Equipment		765
Maintenance		5,678
Contractual Services		95,402
Supplies		<u>1,939</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>366,972</u></u>

JEFFERSON DAVIS COUNTY

OTHER INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,989,267	3,033,386	3,033,386	
Licenses, commissions and other receipts	84,900	74,989	74,989	
Fines and forfeitures	155,900	116,679	116,679	
Intergovernmental receipts	1,070,700	954,044	970,816	16,772
Charges for services	41,000	49,960	49,960	
Interest income	91,500	2,650	2,650	
Miscellaneous receipts	161,200	186,919	170,497	(16,422)
Total Receipts	<u>4,594,467</u>	<u>4,418,627</u>	<u>4,418,977</u>	<u>350</u>
DISBURSEMENTS				
Current:				
General government	3,023,320	2,905,955	2,905,955	
Public safety	1,383,539	1,432,945	1,432,945	
Public works	40,000	5,000	5,000	
Health and welfare	198,091	187,261	187,261	
Culture and recreation	67,500	54,750	54,750	
Education	160,000	185,280	185,280	
Conservation of natural resources	108,010	105,675	105,675	
Economic development and assistance	63,625	63,625	63,625	
Debt service:				
Principal		4,642	4,642	
Interest		3,904	3,904	
Total Disbursements	<u>5,044,085</u>	<u>4,949,037</u>	<u>4,949,037</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(449,618)</u>	<u>(530,410)</u>	<u>(530,060)</u>	<u>350</u>
OTHER CASH SOURCES (USES)				
Sale of county property		2,437	2,087	(350)
Sale of investments		2,000,616	2,000,616	
Transfers out	(430,000)	(510,000)	(510,000)	
Purchase of investments		(1,001,233)	(1,001,233)	
Total Other Cash Sources and Uses	<u>(430,000)</u>	<u>491,820</u>	<u>491,470</u>	<u>(350)</u>
Net Change in Fund Balance	(879,618)	(38,590)	(38,590)	
Fund Balances - Beginning	<u>1,307,384</u>	<u>1,474,986</u>	<u>1,474,986</u>	
Fund Balances - Ending	<u>\$ 427,766</u>	<u>1,436,396</u>	<u>1,436,396</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 4 Road Maintenance Construction Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 213,700	214,979	214,979	
Road and bridge privilege taxes	34,000	33,969	33,969	
Intergovernmental receipts	130,000	121,937	121,937	
Interest income	100	287	287	
Miscellaneous receipts		4,337	4,337	
Total Receipts	<u>377,800</u>	<u>375,509</u>	<u>375,509</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	413,700	298,309	298,309	
Total Disbursements	<u>413,700</u>	<u>298,309</u>	<u>298,309</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(35,900)</u>	<u>77,200</u>	<u>77,200</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Compensation for loss of county property		15,300	15,300	
Transfers in		100,000	100,000	
Total Other Cash Sources and Uses	<u>0</u>	<u>115,300</u>	<u>115,300</u>	<u>0</u>
Net Change in Fund Balance	(35,900)	192,500	192,500	
Fund Balances - Beginning	<u>115,285</u>	<u>240,031</u>	<u>240,031</u>	
Fund Balances - Ending	<u>\$ 79,385</u>	<u>432,531</u>	<u>432,531</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY
Schedule of Investments
For the Year Ended September 30, 2014
UNAUDITED

Fund	Description	Beginning Date	Maturity Date	Interest Rate	Balance October 1, 2013	Purchases	Redeemed	Balance September 30, 2014
GENERAL FUND								
007 Severance Tax	Certificates of Deposit	11/05/12	10/31/13	0.050%	\$ 1,000,370		1,000,370	0
007 Severance Tax	Certificates of Deposit	11/05/12	10/31/13	0.050%	1,000,246		1,000,246	0
007 Severance Tax	Certificates of Deposit	10/31/13	10/26/14	0.050%		1,001,233		1,001,233
Total General Fund					2,000,616	1,001,233	2,000,616	1,001,233
TOTAL GOVERNMENTAL FUNDS					\$ 2,000,616	1,001,233	2,000,616	1,001,233

JEFFERSON DAVIS COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2014
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Land	\$ 381,562				381,562
Construction in progress	1,658,326	272,925		(1,931,251)	0
Infrastructure	47,481,495	348,568			47,830,063
Buildings	5,752,437				5,752,437
Improvements other than buildings	123,876			1,568,381	1,692,257
Mobile equipment	6,260,502	91,313	401,404	58,750	6,009,161
Furniture and equipment	1,117,679	31,761	109,454	6,780	1,046,766
Leased property under capital leases		229,600			229,600
Total capital assets	\$ <u>62,775,877</u>	<u>974,167</u>	<u>510,858</u>	<u>(297,340)</u>	<u>62,941,846</u>

*Adjustments are for the reclassification of completed construction in progress and the reclassification of equipment type.

JEFFERSON DAVIS COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2014
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2013	Issued	Principal Payments	Balance Sept. 30, 2014
Governmental Activities:							
A. General Obligation Bonds:							
Hospital bond	06/2003	07/2025	4.25%	\$ 1,071,549		76,292	995,257
B. Capital Leases:							
Tractor backhoe (2)	09/2014	09/2019	2.04%		229,600		229,600
C. Other Loans:							
Access road improvement	02/2014	02/2034	3.00%		201,132	4,642	196,490
Total				\$ <u>1,071,549</u>	<u>430,732</u>	<u>80,934</u>	<u>1,421,347</u>

The accompanying notes to the Other Information are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Macon Hollman, Jr.	Supervisor District 1	Western Surety Company	\$100,000
Charles W. Reid	Supervisor District 2	Western Surety Company	\$100,000
John H. Thompson	Supervisor District 3	Western Surety Company	\$100,000
Michael O. Evans	Supervisor District 4	Western Surety Company	\$100,000
Bobby R. Rushing	Supervisor District 5	Western Surety Company	\$100,000
John W. Davies	Chancery Clerk	Western Surety Company	\$100,000
Janice Bridges	Purchase Clerk	Western Surety Company	\$75,000
David Bayles	Assistant Purchase Clerk	Western Surety Company	\$50,000
Abrilla Brumfield	Receiving Clerk	Western Surety Company	\$75,000
David Bayles	Assistant Receiving Clerk	Western Surety Company	\$50,000
Willie Ray Dyess	Assistant Receiving Clerk	Western Surety Company	\$50,000
Roy Mitchell Smith	Assistant Receiving Clerk	Western Surety Company	\$50,000
Kelsa T Brown	Assistant Receiving Clerk	Western Surety Company	\$50,000
Sherrie Lynn Weathersby	Assistant Receiving Clerk	Western Surety Company	\$50,000
Anna R. Keys	Assistant Receiving Clerk	Western Surety Company	\$50,000
Pat Evans	Inventory Control Clerk	Western Surety Company	\$75,000
Zackary Jackson	Constable	Western Surety Company	\$50,000
Harold Rhondes	Constable	Western Surety Company	\$50,000
Clint W. Langley	Circuit Clerk	Western Surety Company	\$100,000
Ron Strickland	Sheriff	Western Surety Company	\$100,000
Charles Johnson, John Wayne Toler, Zackary Jackson, Joe Bullock, Tenisha Daniels	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$50,000
Ronald Barnes	Justice Court Judge	Western Surety Company	\$50,000
Johnny C. Hartzog	Justice Court Judge	Western Surety Company	\$50,000
Sara Judy Cole	Justice Court Clerk	Western Surety Company	\$50,000
Charlotte Williams	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Anna R. Keys	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Kelly D. Ross Brown	Tax Assessor-Collector	Western Surety Company	\$100,000
Arnetra Polk	Financial Manager	Western Surety Company	\$75,000
Pat Evans	Accounting Clerk	Western Surety Company	\$50,000

JEFFERSON DAVIS COUNTY

Notes to the Other Information
For the Year Ended September 30, 2014
UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

(2) Long-term Debt information:

- A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2014, the amount of outstanding debt was less than 1% of the latest property assessments.

JEFFERSON COUNTY

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JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 21, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Davis County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Davis County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as 2014-001, 2014-002, 2014-003 and 2014-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters which we have reported to the management of Jefferson Davis County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 21, 2016, included within this document.

Jefferson Davis County's Responses to Findings

Jefferson Davis County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jefferson Davis County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. McKNIGHT, CPA
Director, County Audit Section

June 21, 2016



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Jefferson Davis County, Mississippi's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2014. Jefferson Davis County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson Davis County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Davis County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson Davis County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Jefferson Davis County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson Davis County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. McKNIGHT, CPA
Director, County Audit Section

June 21, 2016



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have examined Jefferson Davis County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Jefferson Davis County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jefferson Davis County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style.

JOE E. McKNIGHT, CPA
Director, County Audit Section

June 21, 2016

JEFFERSON DAVIS COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Our test results did not identify any purchases from other than the lowest bidder.

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

Schedule 2

Our test results did not identify any emergency purchases.

JEFFERSON DAVIS COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Our test results did not identify any purchases made noncompetitively from a sole source.

JEFFERSON DAVIS COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

In planning and performing our audit of the financial statements of Jefferson Davis County, Mississippi (the County) for the year ended September 30, 2014, we considered Jefferson Davis County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 21, 2016, on the financial statements of Jefferson Davis County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below.

Board of Supervisors.

1. The County should establish and test a disaster recovery process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Our IT staff will provide us with a Disaster Recovery Plan which in particular will include the backup and safety of mission critical data/services as well as access to this data in the even disaster. We will furthermore document this plan as a means to provide directions of the necessary steps to take ill the event of a disaster and of who is responsible for which task.

2. The County should expire all individual passwords on a periodic basis.

Finding

A review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to insure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

In co-operation with our IT Company, we will assess the various Authentication and Security Facilities; ie the County's Microsoft Active Directory Server and IBM iSeries 400 Server and decide the standards to which we want to implement as far as Password Complexity enabled, minimum password length, password history retention and password expiration frequency. In this discussion, we will lay down the ground work for an annual review as advised, to perform a checkup of the ongoing implementation of these procedures.

3. The County should implement a formal information security policy.

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County's Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

Through the cooperation for our IT staff, an Acceptable Use Policy to include the security nature and expected use of the County's network to include internet use and all County computer and network equipment as well as software.

4. The County should replace obsolete computer hardware and software

Finding

The County is running operating systems as well as applications on some of its servers and/or personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that the County develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases.

Board of Supervisors' Response

We will have our IT staff inventory the county network personal computers for a list of any workstation which are older than Microsoft Windows 7 Professional and obtain a quote for possible upgrade or replacement of these workstations. We have found any hardware outside of personal computers running operating systems older than Windows 7, such as Servers are up-to-date.

5. The County should strengthen passwords.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for the County's information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

Our IT staff has informed us our Workstation Credentials are managed via a Microsoft Windows 2012 active directory server and therefore control of such password strengths can be enforced.

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. McKNIGHT, CPA
Director, County Audit Section

June 21, 2016

JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | |
| | Governmental activities | Unmodified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unmodified |
| | District 4 Road Maintenance Construction Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major federal programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Identification of major federal program: | |
| | a. CFDA# 14.228, Community development block grants/state's programs | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency

2014-001. The County Library Tax should be settled to the County Library Fund.

Finding

Section 39-3-5, Miss. Code Ann. (1972), states that any county which supports a public library or public library system may, by order of the board of supervisors of such county, in their discretion, levy a four (4) mill tax on all taxable property within the county to be used for the support, upkeep and maintenance of any public library or public library system located in said county. The 2014 tax millage levied by the board for support, upkeep and maintenance of the public library system totaled \$106,183 of which \$95,500 was settled to the County Library Fund. This is a violation of state code since all funds collected under this section are to be used for the public library system.

Recommendation

The Board of Supervisors should ensure that all funds collected under Section 39-3-5, Miss. Code Ann. (1972) are properly used for the support, upkeep and maintenance of any public library or public library system in the county.

Board of Supervisors' Response

Jefferson Davis County Board of Supervisors agreed with your findings of the County Library Tax and we will distribute the funds according to Section 39-3-5, Miss. Code Ann (1972).

Board of Supervisors.

Significant Deficiency

2014-002. The County should settle additional privilege taxes as they would if these collections were ad valorem taxes.

Finding

Section 27-19-11, Miss. Code Ann. (1972), states that, in addition to the annual highway privilege tax levied on each motor vehicle, truck-tractor, or road tractor of each carrier of property, and on each bus, an additional annual privilege tax is levied on vehicles with a gross weight exceeding ten thousand (10,000) pounds. The statute goes on to state that the additional privilege tax shall be distributed to the counties on the basis of the ratio of the number of motor vehicles registered in excess of ten thousand (10,000) pounds, in each taxing district in each county, to the total number of such vehicles registered statewide. The counties shall then distribute these proceeds as they would if these collections were ad valorem taxes. The results of our audit procedures disclosed that the county is not settling additional privilege taxes to the county schools correctly. This resulted in an amount due to the county schools of \$7,784.

Recommendation

The Board of Supervisors should implement controls to ensure the additional privilege taxes are settled to the applicable taxing districts in accordance with the County's tax levy.

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Board of Supervisors' Response

The County will pay the school this amount and will make correction to distribute these proceeds as they would if these collections were ad valorem taxes.

Circuit Clerk.

Significant Deficiency

2014-003. The Circuit Clerk's Office should make timely deposits.

Finding

An effective system of internal controls over cash requires that timely bank deposits be made. The Circuit Clerk failed to make timely deposits throughout the fiscal year. The failure to make timely deposits could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should implement internal controls to ensure that timely bank deposits are made.

Circuit Clerk's Response

Not a lot of transactions. We will make deposits at least once a week to correct.

Sheriff.

Significant Deficiency

2014-004. Sheriff's Office is not making deposits daily.

Finding

Management is responsible for establishing a proper internal control system to ensure a strong financial accountability and safeguarding of assets and revenue. During our test of internal controls of the Sheriff's Office receipts, we noted receipts were not deposited in a timely manner. This deficiency is due to inadequate internal controls surrounding the depositing of revenue collected in the Sheriff's Office. Inadequate controls surrounding the deposits of revenue collections could result in theft of assets and improper revenue recognition.

Recommendation

We recommend that all revenue collected in the Sheriff's Office be deposited daily.

Sheriff's Response

We will comply.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.